

MOTOR FUELS UPDATE

DEPARTMENT OF REVENUE



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Quarterly

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Get Plugged into EDI!

What is it?

EDI is an abbreviation for **Electronic Data Interchange**. It is a method of using your PC to file your motor fuel tax returns. It will allow you to either compile your return on a computer disk which you can mail in the same manner as you currently mail your paper return, or the return can be transmitted "electronically" to us. The choice is yours.

How does it work?

This is a tried and tested system that is being used by many filers. As long as you have a basic PC system, essentially an IBM compatible PC with 4 MB of available RAM and a 1.44 MB floppy drive, you

will be able to file your returns by EDI. The initial software is sent to you on three disks. Once loaded with your state identification number and address, this program remains in your computer and allows your PC to generate the necessary returns each month.

The program is menu-driven, which means it will prompt you to make the necessary entries. Other than adding your own gallonage data, the only thing you will have to do is make quarterly tax rate changes when necessary.

How will it help me?

It will complete your tax return for you. All you do is enter the appropriate

gallons on the schedules and certain fields on the return, and the software will calculate your tax and complete your return for you. You can either enter your gallons daily, weekly, or at the end of the month. The choice is yours. You then send the return to us by either mailing the disk or transmitting it "electronically" via TaxConnect. It also allows you to print a copy of the returns and schedules if

I N S I D E

- **1996 Legislation**
- **PRF**
- **Form 84AG**
- **Motor Fuels Tax Rate**

EDI (CONT.)

you would like. Of course you still must remit the appropriate amount of tax, which can either be in the form of a check or an electronic funds transfer. Again, the choice is yours.

Do I have to purchase the software?

No. We will provide you with the operating software at no cost. Your only costs will be for disks used to transmit the "returns" and postage or, if you elect to use "electronic" transfer, costs for transmission hardware and software. We will even pay the costs of maintaining your mailbox at TaxConnect.

How do I get started?

Contact your account representative directly or you may use our toll free number. Request a Motor Fuels Application for Electronic Filing, Form 27MF, complete and return it to us. Assuming everything is in order, you will receive your software accompanied by instructions for loading it into your PC. Before your first return is due, your account representative will contact you and answer any questions you may have.

1996 LEGISLATION



For the first time in years, this year's legislative session will result in few changes in motor fuels tax programs. LB 1121 made several minor "housekeeping" changes, most of which do not have any significant impact on most motor fuels taxpayers.

Effective July 1, 1996, the definition of "motor vehicle fuel" is amended to exclude a number of fuel products that typically are not used in licensed motor vehicles. Under current law, motor vehicle fuels include such products as naphtha, methanol, benzine and benzol. While some of these products may be blended into gasoline at the refinery level, and thus taxed with the gasoline they are blended with, they are rarely sold or used as automotive fuel as individual fuel products. Leaded, high octane automotive racing fuels will also be excluded from the definition of motor vehicle fuel as it is illegal to use leaded fuels in motor vehicles registered for operation on the highways.

As a result of the LB 1121 amendments, these products will only be reported and tax remitted if placed directly into a licensed motor vehicle or blended into gasoline at a point in the distribution

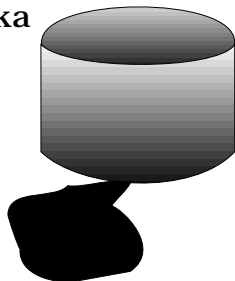
chain after the refinery. Any unreported blending or use is subject to an enhanced penalty of \$1,000 or one hundred percent of the tax not paid, whichever is greater. These fuel products are still subject to Nebraska Petroleum Remedial Release Action Fee (PRF). The PRF rate to be charged is the rate in effect for "other petroleum products."

LB 1121 also amends the state fuel tax laws pertaining to fuel consumed in municipal buses. **A long-standing exemption from fuel tax on diesel fuel used in municipal buses is extended to encompass motor vehicle fuels and compressed fuels.** These fuels cannot be sold tax free, but the municipal bus system operator may apply for a refund of the tax paid on any of the fuel used in buses equipped to carry more than seven passengers for hire within municipalities or within a radius of six miles of the municipality.

The remaining provisions of LB 1121 are primarily directed at the various state agencies charged with monitoring and enforcing fuel tax related laws. These amendments will not have any noticeable impact on motor fuel taxpayers.

PETROLEUM RELEASE REMEDIAL ACTION FEE (PRF)

The Nebraska Petroleum Release Remedial Action Act imposes a fee, commonly called "PRF," on petroleum products sold or used in Nebraska. The fee is placed in a fund that may be used to pay for the cleanup of leaking storage tanks. The federal government and other states have similar fees.



Recently it has come to our attention that:

- Ø Some permitholders were actually importing fuel into Nebraska and did not realize that they were the importer; therefore failing to remit the PRF to the state.
- Ø Some permitholders purchasing fuel in states other than Nebraska were incorrectly paying the PRF to their supplier instead of directly to the state.
- Ø Some permitholders did not realize which petroleum products are subject to PRF.

You are reminded that PRF applies when:

- E You remove petroleum products from a Nebraska pipeline terminal and those products have a Nebraska destination;
- E You import petroleum products into Nebraska via truck or rail; or
- E You refine, prepare, blend, distill, manufacture, or compound petroleum products in Nebraska for your own use, sale, or delivery within Nebraska.

Petroleum products include motor fuels, and other products derived from crude oil such as motor oil or lubricating oils.

The fee is to be remitted to the state when the petroleum product is:

- Ø First sold;
- Ø Offered for sale; or
- Ø Imported.

The liability cannot be transferred to a later sale.

All licensed suppliers (removing or selling fuel at the pipeline terminal),

importers, distributors, or wholesalers who are importing fuel via truck or rail must be licensed for PRF.

Products not subject to PRF are:

- E Unblended ethanol;
- E Propane;
- E Other combustible gases; or
- E Petroleum products packaged in containers of 110 gallons or less.

PRF should not be charged on petroleum products being removed from a pipeline terminal facility with a bill of lading indicating a destination state other than Nebraska.

The fee, currently \$.006 per gallon on motor vehicle fuels and \$.002 per gallon on other petroleum products, is normally billed separately on sales invoices. It cannot be "lumped in with" or otherwise included with the motor fuel tax.

DIESEL FUEL TAX REFUND CLAIMS

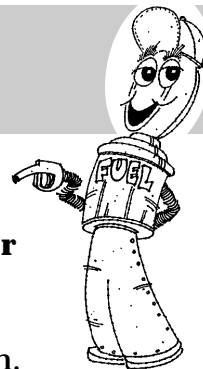
Since the first of the year, the division has been processing the new **Nebraska Diesel Fuel Tax Refund Claims, Forms 84AG**. We are impressed by the accuracy of the information on the face of the form. Your calculations are usually complete and accurate.

We have, however, noticed some problems which delay processing of your refund claims:

- 1 **Vehicle/equipment list is not included.** To be approved, first-time claims must include a list of diesel-powered vehicles and equipment.
- 1 **Proof that the diesel fuel was tax paid.** All claims must include copies of purchase invoices or a listing of all fuel purchases.
- 1 **Claims based on purchases of bulk diesel.** You are entitled to a refund when the fuel is consumed in an exempt use, not at the time of purchase.

MOTOR FUELS TAX RATE

The Nebraska motor fuels tax rate for **1996 second quarter** (April 1 through June 30, 1996) is **25.7 cents per gallon.**



FOR MOTOR FUELS TAXPAYER ASSISTANCE

Call your account representative or toll free 1-800-554-FUEL (1-800-554-3835). Lincoln residents call 471-5730.

For *TT (Text Telephone), dial 1-800-382-9309.



*Telecommunication Device for the Deaf (TDD) is designated by the use of "TT," which is consistent with the Americans with Disabilities Act.

OR CONTACT:

Motor Fuels Division
301 Centennial Mall South
P.O. Box 98904
Lincoln, NE 68509-8904

If you have received a duplicate mailing or would like to subscribe, please call 1-800-554-3835

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